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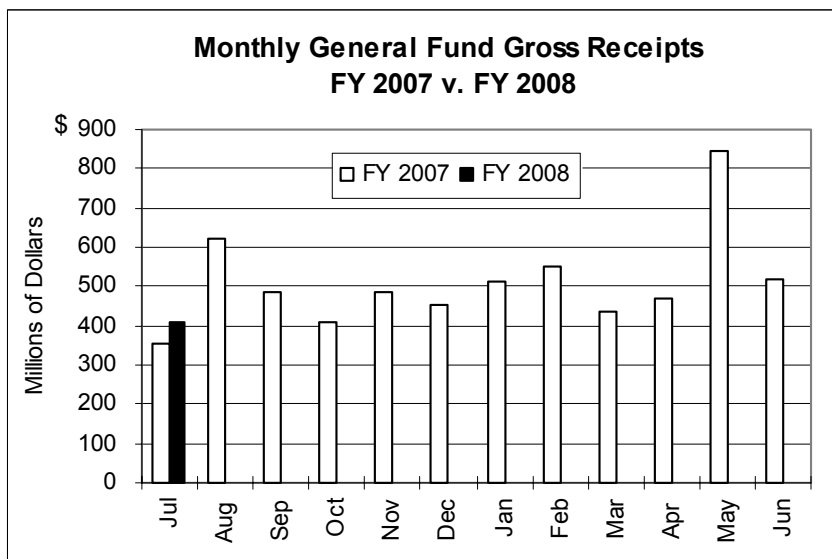
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: August 2, 2007

Monthly General Fund Receipts through July 31, 2007

The attached spreadsheet presents total FY 2008 General Fund gross cash receipts, with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.399 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2008 estimate is an increase of \$260.3 million (4.2%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



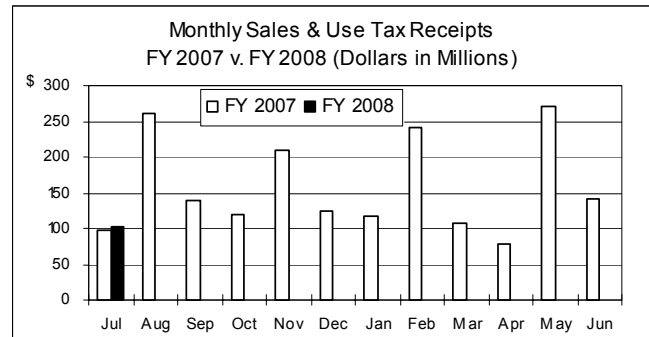
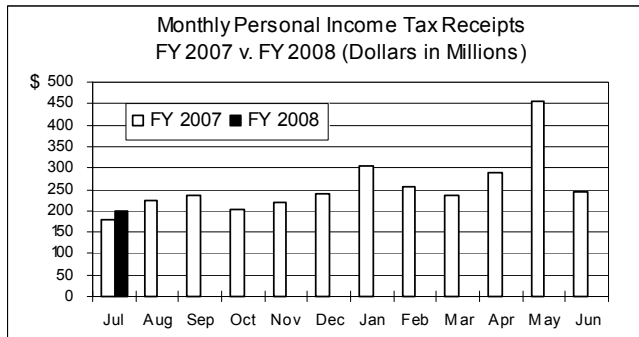
FY 2008 Compared to FY 2007

Year-to-date FY 2008 total gross cash receipts (excluding transfers) increased \$56.9 (16.0%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$18.9 million, 10.6%)
- Sales/Use Tax (positive \$6.7 million, 6.9%)
- Corporate Tax (positive \$16.6 million, 80.6%)
- Other Taxes (positive \$11.7 million, 57.9%)
- Other Receipts (positive \$2.8 million, 7.6%)

Personal Income Tax revenues received in July totaled \$198.0 million, an increase of \$18.9 million compared to July 2006. The strong rate of growth was due to increased income tax estimate payments. Estimate payments are made by taxpayers with significant income that is not subject to Income Tax withholding. Withholding receipts were up modestly after adjustments for calendar impacts.

The FY 2008 REC Income Tax estimate of \$3.175 billion represents a projected increase of 2.9% compared to actual FY 2007. For July, total Income Tax receipts increased 10.6%. By subcategory, withholding payments increased 2.2%, estimate payments increased 57.8%, while payments with returns increased slightly. The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/Use Tax receipts received in July totaled \$103.6 million, an increase of \$6.7 million compared to July 2006. The increase was shown in the Use Tax portion of receipts.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$1.962 billion, an increase of 2.7% compared to actual FY 2007. For July, Sales/Use Tax receipts increased 6.9%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate Tax receipts received in July totaled \$37.2 million, a \$16.6 million increase compared to July 2006. More than half of the July gain was due to calendar issues, as June 30 fell on a weekend this year, pushing about \$10.0 million in Corporate Tax receipts from June into July. Even with the adjustment, Corporate Tax receipts were strong in July, continuing a trend evident since February 2003.

The REC estimate for FY 2008 Corporate Tax revenue is \$428.6 million, an increase of 0.9% compared to actual FY 2007. For July, total Corporate Tax receipts increased 80.6%.

Other tax receipts received in July totaled \$31.9 million, an \$11.7 million increase compared to July 2006. The sharp increase was due to the mid-March Cigarette and Tobacco Tax rate change.

The REC estimate for FY 2008 receipts from other taxes is \$494.3 million, an increase of 35.8% compared to actual FY 2007. For July, other tax receipts increased 57.9%.

Other receipts (non-tax receipts) received in July totaled \$39.7 million, a \$2.8 million increase compared to July 2007. Fees, judicial revenue, and interest were all strong for the month.

The REC estimate for FY 2008 other receipt revenue is \$338.5 million, a decrease of 4.3% compared to actual FY 2007. For July, other receipts increased 7.6%.

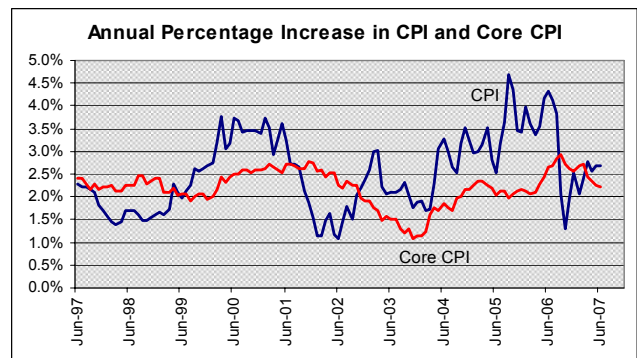
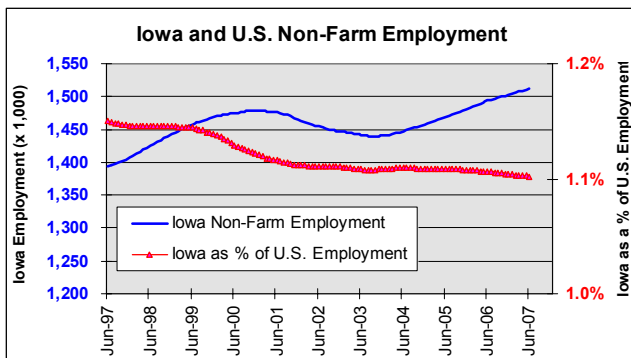
Status of the Economy

Iowa non-farm employment was reported at 1,542,700 for the month of June (not seasonally adjusted), 15,700 higher (1.0%) than June 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,512,000, so annualized Iowa non-farm employment is 33,300 above its 2001 peak and 72,100 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002, but the trend remains negative.

Consumer prices increased 0.2% during the month of June (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2007 was 208.352 (1983/84=100), 2.7% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.1% in June and the year-over-year change was 2.2%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, peaking at 2.9%. During the most recent nine months, the rate of increase in core inflation has declined.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	July % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 179.1	\$ 198.0	10.6%	10.6%	\$ 3,085.9	\$ 3,175.4	2.9%
Sales/Use Tax	96.9	103.6	6.9%	6.9%	1,910.1	1,961.7	2.7%
Corporate Income Tax	20.6	37.2	80.6%	80.6%	424.6	428.6	0.9%
Inheritance Tax	5.9	7.0	18.6%	18.6%	76.0	81.2	6.8%
Insurance Premium Tax	1.5	1.0	-33.3%	-33.3%	105.2	124.0	17.9%
Cigarette Tax	6.7	17.7	164.2%	164.2%	122.0	219.7	80.1%
Tobacco Tax	1.0	2.1	110.0%	110.0%	12.1	15.4	27.3%
Beer Tax	1.5	1.4	-6.7%	-6.7%	14.3	14.3	0.0%
Franchise Tax	2.3	2.7	17.4%	17.4%	33.3	38.7	16.2%
Miscellaneous Tax	1.3	0.0	-100.0%	-100.0%	1.0	1.0	0.0%
 Total Special Taxes	 \$ 316.7	 \$ 370.8	 17.1%	 17.0%	 \$ 5,784.5	 \$ 6,060.0	 4.8%
 Institutional Payments	 1.0	 0.8	 -20.0%	 -20.0%	 12.9	 12.6	 -2.3%
Liquor Profits	2.8	2.8	0.0%	0.0%	64.8	67.8	4.6%
Interest	2.8	3.2	14.3%	14.3%	28.7	29.0	1.0%
Fees	8.2	9.0	9.8%	9.8%	84.7	62.9	-25.7%
Judicial Revenue	8.0	9.1	13.8%	13.8%	66.9	67.9	1.5%
Miscellaneous Receipts	2.3	2.8	21.7%	21.7%	35.7	38.3	7.3%
Racing and Gaming Receipts	11.8	12.0	1.7%	1.7%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 353.6	 \$ 410.5	 16.1%	 16.0%	 \$ 6,138.2	 \$ 6,398.5	 4.2%